

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Athena Energy L.L.C.  
305 West Mercury St.  
P.O. Box 4247  
Butte, MT 59701

Township 36 North, Range 9 East  
Section 1: SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 12: NE $\frac{1}{4}$ NE $\frac{1}{4}$   
Township 36 North, Range 10 East  
Section 6: Lot 7 (SW $\frac{1}{4}$ SW $\frac{1}{4}$ )  
Section 7: Lot 1 (NW $\frac{1}{4}$ NW $\frac{1}{4}$ )  
146.14 Acres  
Hill County

State Tract(s):  
Township 36 North, Range 9 East  
Section 1: SE $\frac{1}{4}$ SE $\frac{1}{4}$   
40.00 Acres  
Trust: Common Schools

Athena Energy L.L.C. has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The Barker 11-7 gas well, was spudded in the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 7 of Township 36 North, Range 10 East in September of 2003. This spacing unit has a total of 146.14 acres. The State owns a total of 40 acres of the 146.14 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes the Blackleaf formation only in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 1, the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 12, the SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 6 & the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 7.

The State owns one tract which comprises 27.36% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 3.42% of all gas production (12.5% royalty rate x 27.36% tract participation) for Tract 1.

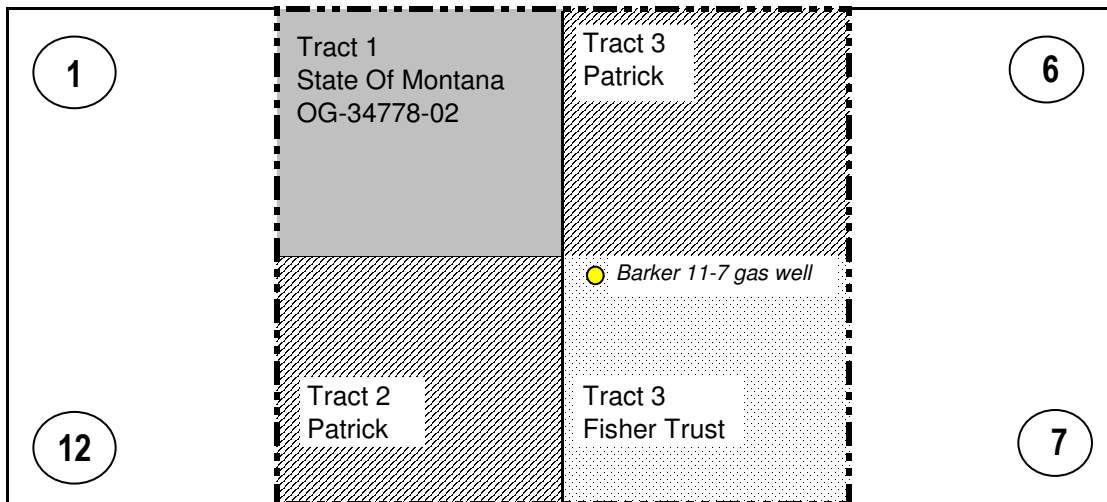
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

# Township 36 North Range 9 East

Section 1 (SE1/4SE1/4) & Section 12 (NE1/4NE1/4)

# Township 36 North Range 10 East

Section 6 (SW1/4SW1/4) & Section 7 (NW1/4NW1/4)



Proposed Communitized Area

## Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-34778-02	40.00	27.37%	12.50%	0.034214
2	Patrick	40.00	27.37%	12.50%	0.034214
3	Patrick	33.00	22.58%	12.50%	0.028226
4	Fisher Trust	33.14	22.68%	12.50%	0.028346
Total		146.14	100.00%		0.125000

\* The Operator of the Communitized Area is Athena Energy L.L.C.